California State PTA
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Treasurers and Auditors

Every Board member has a fiduciary responsibility to protect the assets the PTA. Assets include money, volunteers, reputation and continuity of the organization. The financial officers have the responsibility to ensure the financial transactions are reported properly and the transactions are transparent for the board members and the members of the association. Please share the attached Fiduciary Responsibility document with everyone on your board.

Over the course of the last year the California State PTA Board of Managers has approved several new policies and forms. Many were prompted by the new IRS Form 990 and the governance questions asked.

The Conflict of Interest Policy can be found in the Finance Section of the Toolkit, Section 5.0. The WhistleBlower Policy and the New Conflict of Interest Form are included in this packet as well as the Record Retention Schedule. Annually the Conflict of Interest/ WhistleBlower Form is filled out by every board member. These forms become part of the permanent records of the association.

There are quite a few resources to make the job easier. Refer to the Toolkit Finance section and Forms Section or download the sections from the website www.capta.org. Other references on the website are the Communicator articles and PTA Connects. When in doubt contact your counterpart at the council/district. Included is a Financial Activities Checklist. The Sample Financial Calendar can be found in the Toolkit section 5.1.4. The insurance premium due date to the state has been changed to December 20th, expect a change in the council/district due date.

Please review the entire contents of the packet and share the Keys for a Successful Audit, new Audit Checklist, 5 Minute Audit with the Auditor or the Audit Committee.

Diane Foote
Treasurer
Treasurer@capta.org

Fiduciary Responsibility

Congratulations! You have been elected to serve on your PTA board.

The board has a legally defined fiduciary responsibility to uphold the trust that has been place in the officers. This means that you and your board must act:

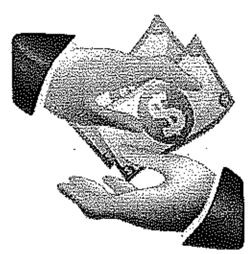
- In good faith, understanding and abiding by the bylaws of the organization;
- With the care an ordinary prudent person would exercise under similar circumstances; and
- In a manner the individual reasonably believes to be in the best interests of the organization.

The board is responsible for protecting the assets of the PTA. This means that each officer is obligated to:

- Ensure compliance with all laws
- Ensure the assets are used to serve the interests and needs of the beneficiaries (the children)
- Ensure continuity of the organization for years into the future
- Ensure the organization remains transparent
- Ensure you are carrying out the purpose you have been given.

What are the assets of the PTA? These fall into several categories:

- **Money** – include all accounts when reporting balances and transactions. Use the clear and concise rules for managing and handling money found in the *Toolkit.*
- **Property** – anything purchased with PTA funds, such as office supplies like officer binders, carnival games or equipment, storage items, computers, paper goods, etc.



- **Inventory** – spirit wear such as t-shirts or hats, left-over gift wrap or cookie dough, paper scrip, etc.
- **Volunteers** – Very limited asset of the PTA, make sure to find a job for everyone who volunteers, if someone volunteers and is never called they are probably not going to volunteer again.
- **Ongoing concern** – this means the board must make decisions that will protect the long life of the PTA. The decisions you make must serve the needs today as well as preserve the assets for the future. You have an obligation *not* to encumber future boards as well. Each board may only make decisions directly affecting its term of office.
- **Reputation** – Everything centers on the reputation of your PTA, so guard it as the organization's most important asset. Who will donate to the PTA if you have a bad reputation? Who will volunteer to help? Mistakes and rumors will damage the PTA's good name. Theft, or even the rumor of it, can destroy the PTA altogether. Take your position seriously in order to protect the assets of the organization and to be a good role model for upcoming parent leaders. What you say and how you act is important. This is why we consider ourselves:

  "Professional Volunteers."

FINANCIAL ACTIVITIES CHECKLIST

- ❐ Visit the bank immediately upon taking office
  - Add new check signers as authorized in the bylaws and listed in association minutes.
  - Verify old signers are removed.
  - Verify no ATM cards are associated with account, deposit cards allowed.
  - On-line access to the account is permitted as long as bill pay is blocked.

- ❐ Revise the budget that was developed in the spring
  - Review the goals and programs.
  - Present and get approval of the budget by the Executive Board.
  - Prominently display the approved budget and/or send to the school population along with the invitation to join PTA

- ❐ Make sure the year-end audit is completed by outgoing auditor or audit committee as soon as possible after fiscal year end, contact district/council for help of not completed by Aug 15th.

- ❐ Arrange for a non-check signer (auditor) to review bank statement monthly.

- ❐ Make sure outgoing treasurer files the applicable IRS Form 990 filed by the due date. Due date is four months and 15 days after the fiscal year end. If the year-end is June 30th it is due Nov. 15th.

- ❐ Get your financial books in order.
  - Computer vs. manual ledgers and register: if using a computer, PTA should own the program so it can be passed from treasurer to treasurer.
  - Train officers/chairmen on use of Cash Verification form and how to count cash.
  - Provide Payment Authorization/Request for Reimbursement form and instructions to officers/chairmen.

- ❐ Plan to attend fall training provided by council/district unless spring training attended.
  - Make contact with council/district treasurers to determine due dates.
  - Sign up for PTA Connects www.capta.org/sections/communication/connects.cfm.

- ❐ First association meeting:
  - Present the Annual Financial Report and Year-end Audit for adoption.
  - Request approval of proposed programs and fundraisers.
  - Present proposed budget for adoption, request release funds from appropriate expense categories for fall programs. Release of funds does not authorize anyone to spend funds; plans must be presented to executive board before funds expended.
  - Present Treasurer Report and request ratification of checks written since last association meeting.

- ❐ Forward copies of year-end Audit Report, budgets, Annual Financial reports and tax returns to the council/district.

- ❐ Forward membership remittances monthly.

- ❐ Forward insurance premium and Workers Compensation Form by the due dates.

- ❐ Prepare a treasurer report for every PTA meeting. Budget to Actual comparison reports should be prepared for the Executive Board at least quarterly.

- ❐ Make sure financial activities are transparent.

Successful Fundraising

PTAs raise funds to support PTA programs –

PTA's mission is not fundraising

Methods

- Ask for donations, such as a suggested per-child donation
- Put on an event (carnival, dance, silent auction)
- Sell a product (gift wrap, flower bulbs, cookie dough)
- Look for a different source (neighbors, businesses, grants)

Don't get in a rut - donors may become bored with the same fundraisers every year. Estimate how many volunteer hours will be required. This may help the PTA executive board and membership decide which activities to pursue.

How to Attract Volunteers to Fundraising Efforts

- Give volunteers lots of options (activities, time of year)
- Events may be more work, but usually build more community

Avoid Product Sales Pitfalls

- Is it a reputable company with good references that you can trust to deliver the products you ordered on time and in good condition? Check the list on the Insurance website.
- Is the product easy to deliver? Does it need special handling or refrigeration? What do you do with leftover product?
- How much commission will you make? How much does the PTA need to sell to make the best rate?
- Is this product, or something similar, already being offered in your area by another PTA?
- Is this product in line with PTA's values?
- If there is a contract involved, the General Association must approve it before both the President and a second elected officer sign it. See the Toolkit for more information on contracts.

Respect your volunteers' time, honor their skills and commitment, and they will keep coming back for more.

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Every PTA must file a tax form!

Don't Throw Away Your PTA's Tax-Exempt Status

Every Board member has a fiduciary responsibility to protect the assets the PTA. Assets include money, volunteers, reputation and continuity of the organization. The IRS requires that every non-profit to file a tax return every year. In fact they will revoke the non-profit status if the entity has not filed in 2007 and 2008 and fails to file the 2009 tax return by the due date. The due date is four months and 15 days after the fiscal year ends.

PTAs with Gross Receipts normally $25,000 or less and PTAs with average gross receipts less than $25,000 over the last three (3) years file a IRS 990N. The 990N return is filed on line at www.IRS.gov/charities.

PTAs with Gross Receipts over $25,000 and less than $500,000 and with assets less than $1.25 million file a IRS 990EZ

PTAs with Gross Receipts over $500,000 and/or with assets of more than $1.25 million file an IRS 990

CA Form 199

New for 2010
Units, including incorporated units do NOT need to file California Form 199.

Districts with Gross receipts greater than $25000 and incorporated council and districts must file CA Form 199.

Registry of Charitable Trust

Council and district PTAs are required to file the Registration Renewal Fee Report (RRF-1) annually with the California Attorney General's Registry of Charitable Trusts. Units are exempt from filing, unless they are incorporated. The deadline for tax filing is the 15th day of the fifth month after the end of the association's fiscal year. If the fiscal year is July 1st through June 30th, tax returns must be postmarked no later than November 15th. There is no extension.

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Whistleblower Policy

This **Whistleblower Policy** of the California State PTA: (1) encourages directors, officers, staff and volunteers to come forward with credible information on illegal practices or serious violations of adopted policies of the association; (2) specifies that the association will protect the person from retaliation; and (3) identifies where such information can be reported.

1. **Encouragement of reporting.** The association encourages complaints, reports or inquiries about illegal practices or serious violations of the association's policies, including illegal or improper conduct by the association itself, by its leadership, or by others on its behalf. Appropriate subjects to raise under this policy would include financial improprieties, accounting or audit matters, ethical violations, or other similar illegal or improper practices or policies. Other subjects on which the association has existing complaint mechanisms should be addressed under those mechanisms, such as raising matters of alleged discrimination or harassment via the association's management or Executive Director. This policy is not intended to provide a means of appeal from outcomes in those other mechanisms.

2. **Protection from Retaliation.** The association prohibits retaliation by or on behalf of the association against employees or volunteers for making good faith complaints, reports or inquiries under this policy or for participating in a review or investigation under this policy. This protection extends to those whose allegations are made in good faith but prove to be mistaken. The association reserves the right to discipline persons who make bad faith, knowingly false, or vexatious complaints, reports or inquiries or who otherwise abuse this policy.

Where to report. Complaints, reports or inquiries may be made under this policy on a confidential or anonymous basis. They should describe in detail the specific facts demonstrating the basis of the complaints, reports or inquiries. They should be directed to the association president and the council/district PTA president; if the president is implicated in the complaint, report or inquiry, it should be directed to the only to the council/district PTA president. The association or council/district will conduct a prompt, discreet, and objective review or investigation. Officers, volunteers, and staff must recognize that the association may be unable to fully evaluate a vague or general complaint, report, or inquiry that is made anonymously.

Records Retention Schedule

It is very important that certain PTA records be retained. Listed are items that must be reviewed on a periodic basis and kept in a safe place. Develop a records retention policy based on this list.

PERMANENT STORAGE

- ❒ Annual audit reports
- ❒ Articles of Incorporation
- ❒ Canceled checks, for important transactions (e.g., taxes, contracts)
- ❒ Checks should be filed with papers pertaining to the transaction
- ❒ Corporation reports filed with the Secretary of State
- ❒ Legal correspondence
- ❒ Group exemption documents
- ❒ Insurance records:
  - Accident reports
  - Claims
  - Policies
- ❒ Ledgers
- ❒ Minutes of executive board, association and committees (bound)
- ❒ PTA Charter
- ❒ Tax documents:
  - Exempt status
  - Group exemption
  - Letter assigning IRS Employer Identification Number (EIN)
  - State and federal tax forms, as filed
- ❒ Correspondence with state or federal agencies
- ❒ Trademark registrations

Think about getting a file cabinet to keep at your school site so that PTA officers don't misplace these items at home or move away with them.

10 YEARS

- ❒ Financial statements (year-end) and budgets
- ❒ Grant award letters of agreement

7 YEARS

- ❒ Payment authorization and expense forms
- ❒ (receipts attached) for payments to vendors or reimbursement to officers
- ❒ Cash receipt records
- ❒ Checks (other than those listed for permanent retention)
- ❒ Expired contracts and leases
- ❒ Insurance incident reports
- ❒ Invoices
- ❒ Purchase orders
- ❒ Sales records

3 YEARS

- ❒ General correspondence
- ❒ Employee records (post-termination)
- ❒ Employment applications

1 YEAR

- ❒ Bank reconciliations
- ❒ Correspondence with vendors if non-contested
- ❒ Duplicate deposit slips
- ❒ Current Bylaws, approved by state parliamentarian
- ❒ Standing Rules
- ❒ Certificates of Insurance
- ❒ Inventories of products and materials, updated yearly

TIP!

When filing records, include the date they are to be destroyed. Review each year or two, at the end of a term.

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CONFLICT/WHISTLEBLOWER FORM

ANNUAL QUESTIONNAIRE
UNIT NAME ____________________

NAME: ____ Telephone: (_____) ____________

PTA POSITION: ____

Occupation: ____

Name of Employer: ____

Employer's Address: ____

____
City State Zip

1. I have read the California State PTA Conflict of Interest Policy (Section 2.3.2): ___ Initial
2. I have read the California State PTA Whistleblower Policy (Section 2.3.10): ___ Initial
3. I understand that as a board member, I have a responsibility to review the tax return: ___ Initial
4. Are you currently being compensated by the PTA for services rendered to the organization (whether as a part-time or full-time employee, independent contractor, consultant or otherwise) within the previous 12 months? ___Yes ___No
5. Do you anticipate the receipt of compensation from the PTA for the rendering of services as described in question 1 above during the upcoming 12 months? ___Yes ___No
6. If any person bearing any of the following relationships to you is currently being compensated by the PTA for services rendered to it as described in question 1 above within the previous 12 months, please list his or her name in the following space and indicate the person's relationship to you by using the relationships designated below (if no such person is being compensated, please print the word "none" in the first space): ___Yes ___No

   Relationships: brother, sister, ancestor, descendent, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, father-in-law

   Name ______________________________ Relationship ______________________________
7. If any person bearing any relationship to you as described in question 3 above anticipates the receipt from the PTA for the rendering of services to it as described in question 1 above within the next 12 months, please list his or her name in the following space and indicate this person's relationship to you (if no such person anticipates receipt of such compensation, please print the word "none" in the first space).

   Name ______________________________ Relationship ______________________________
8. Are you a director, an officer, an employee or an owner in any business or entity which has done business within the previous 12 months with the California State PTA, or currently is, or is contemplating doing business with the corporation? ___Yes ___No

   If yes, please explain type of business, type(s) of transaction(s), relationship:

   ____

   ____

Date: ____________________, 20___ Signature ______________________________

Type or print name ______________________________

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3 Keys for Successful Auditing

1 – Prepare: Meet with the treasurer at the beginning of the year to set some ground rules. Look at the audit checklist to determine what records and tools you will need at mid-year and the end of the year. Make sure the treasurer knows what these records are and how to properly keep them. Discuss the treasurer's, the president's, the recording secretary's, and the financial secretary's roles in managing funds and records up front, so you can catch any obvious problems before they take place. If these people are doing their jobs properly, your job will be easy.

2 – Use the audit checklist: The revised checklist is in this packet and on the website. It lists what you need, how to proceed, and how to report your findings. It's like a cookbook for the perfect audit. Do not use the form in the forms section of the Tool Kit.

How to red line computerized records to indicate the end-point of the audit: Make 2 copies of the last page of the computer generated check register, underline to balance as of the audit date in red, sign and date both copies. Attach to the auditors copy of the audit and give the other to the secretary to be included with the audit report for the minutes.

3 – Ask questions: Don't assume you know how something went or what you think you saw. If you are lost, and the answer isn't on the audit checklist, ask directions. Ask where the popcorn machine is that they bought for the festival. Ask who counted money from an event that has no documentation except a bank deposit. Ask why there were no expenses for a DJ at the carnival, when $600 was approved for the cost. If the DJ said he liked your school so much he decided to do it for free, suggest they give him a VSP award, and record the donation in kind. If you don't record things, you won't have a permanent record for those who come after you. As always you have the support of all levels of PTA. Council, district and State PTA leaders are always available to assist you.

A statement about FRAUD or mismanagement of funds:
Your job is not to uncover fraud. Your job is to verify that things have been done wisely, properly, and timely. Fraud is usually reported to the auditor by someone else, and then the auditor's job is to determine how much, how it happened, and how to prevent it from recurring. It's better to start the year out with appropriate ground rules, so it can't happen. Fraud is a very serious allegation. If mismanagement is suspected, get assistance from the council or district leadership. There are very important steps that must be followed.

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The five-minute audit for PTAs

A treasurer's report includes a lot of meaningful information, but how does the PTA know it's accurate? The unit needs to assign a non-check signer to review the bank statement each month. The most logical choices are the auditor or a member of the audit committee.

Armed with the treasurer's financial report, minutes and the bank statement the following can be checked:

Treasurer's Report Nov. 1-Nov. 30:		
Beginning Balance – Nov. 1		**$3,500**
Income		
Giftwrap	11/1	$2,400✓
Memberships	11/14	$ 300✓
		$2,700 ✓
Expense		
CK 100	ABC Co	$1,299✓
CK 102	Alpha PTA Council	$ 160
CK 103	Mary Smith	~~$ 250~~ *$300*←
		~~$2,709~~ *$1759*
Ending Cash Balance		~~$3,493~~ *$4441*

Bank Statement		
Bank Stmt Beginning Balance		**$3,550**
Deposits	11/05	$2,400✓
	11/15	$ 300✓
		$2,700✓
Checks	99	$ 50✓ *last treas.rpt*
	100	$ 1,299✓
	103	$ 300 ←
		$1,649
Ending Bank Balance		**$ 4,601**
	CK 102	*-160*
		$ 4441

Call president and treasurer. Looks like Nov. treas. report -check #103- needs to be corrected. Could be bank error?

Note: If the bank statement does not include copies of checks, the unit has to obtain copies. Most banks have online access. PTAs can have online access to their bank accounts, but they must decline any access to online payment of bills.

Step 1: Look at the checks. Verify
- Two signatures on every check
- Payee, amount and date match the treasurer's report
- Purpose of payment is included in the check's note section

Step 2: Look at the deposits. Verify
- Date and amount match the treasurer's report
- Deposits have been timely

Step 3: Assure no online payments or withdrawals have been made using a debit/ATM card.

Step 4: Reconcile the bank statement to the treasurer's report.
Make adjustments for checks that have not cleared and deposits not shown.

Step 5: Contact the treasurer to determine the source of the error(s). Corrections, if required, are included in the next treasurer's report. Report findings to unit president, treasurer and auditor (if reviewer isn't the auditor).

Note: the five-minute audit will NOT reveal that the treasurer allocated $100 collected for Membership Dues to Gift-Wrap Income instead, but it will point out that a $1,000 deposit showing on the treasurer's report didn't actually make it to the bank or that a check cashed by the bank didn't show up on the treasurer's report. If this happens, ask more questions and investigate further!

PTA resources include *Toolkit*, Finance section: 5.3 Banking, 5.3.3 Bank Statements, 5.3.6a Check Writing; Forms section: Check Sample.

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AUDIT CHECKLIST

Unit Name ______________________________ **Date** ________________

DESCRIPTION	YES	NO
❐ Bylaws & Standing Rules ❐ Budget(s) ❐ Last Audit Report ❐ Ledger ❐ Checkbook register ❐ Cancelled checks (including voids) ❐ Authorizations for Payment ❐ Cash Verification Forms ❐ Bank statements, bank books and deposit slips ❐ Receipts/bills ❐ Cash receipts ❐ Executive board minutes ❐ Association minutes ❐ Committee reports ❐ Monthly Treasurer Report ❐ Monthly Financial Secretary Reports ❐ Annual Financial Report ❐ Workers' Compensation Annual Payroll Report form ❐ IRS Forms 990/990EZ/990N **If required:** ❐ IRS Form 941 ❐ IRS Form 1099 ❐ State Form DE-6 ❐ State Form DE-542 **Required of incorporated units, council and district PTAs only:** ❐ State Form 199 ❐ State Form RRF-1		
Financial records provided: (Originals)	❐	❐
Beginning Balance Records		
1. Check to see if amount shown on first bank statement (adjusted for outstanding checks and deposits) corresponds to the starting balance recorded in checkbook register, ledger, treasurer's report and ending balance of last audit	❐	❐
Bank Reconciliation		
1. All bank statements reconciled since last audit by treasurer and reviewed monthly by non-check signer	❐	❐
2. Ending balances (checkbook register, ledger and treasurer report) agree with last bank statement (adjusted for outstanding checks and deposits not posted to bank statement)	❐	❐
3. Deposits and Checks Written: (signed by two authorized check signers per the bylaws)		
a) Recorded in checkbook register	❐	❐
b) Recorded in ledger in proper columns	❐	❐
c) Agree with treasurer reports	❐	❐
4. Bank charges and interest recorded in checkbook register, ledger and treasurer reports	❐	❐
Membership		
1. Amount recorded and deposited equals total number of memberships # __________ (members) @ $ __________ (membership dues listed in bylaws)	❐	❐
2. Amount forwarded to council/district PTA equals total number of memberships # __________ (members) @ $ __________ (amount listed in bylaws)	❐	❐
Insurance – premium(s) forwarded to council/district PTA by due date	❐	❐
Minutes		
1. All expenditures approved and recorded in executive board minutes (List those expenditures not approved on recommendation report)	❐	❐
2. All expenditures approved/ratified in association minutes (List those expenditures not approved on recommendation report)	❐	❐
3. Committee minutes record plans, proposed expenditures, and total of monies earned	❐	❐
Authorizations for Payment (signed by secretary and president)	❐	❐
1. All authorizations written for approved amounts (List missing authorizations on recommendation report)	❐	❐
2. All authorizations have receipt/bill attached (List missing receipts/bills on recommendation report)	❐	❐
3. Authorizations match checks written	❐	❐
Income		
1. Deposits properly supported	❐	❐
2. Cash Verification Forms used with two people counting money	❐	❐
3. Income received matches deposits recorded in checkbook register, ledger and treasurer reports	❐	❐
4. Designated income spent as specified	❐	❐
Financial Secretary Reports		
1. Filed monthly	❐	❐
2. Receipts/Deposits agree with ledger & register	❐	❐
Treasurer Reports		
1. Filed monthly	❐	❐
2. Agree with ledger and checkbook register	❐	❐
3. Annual Financial Report	❐	❐
Committee Reports		
1. Committee reports for all fundraisers submitted or report in minutes.	❐	❐
Reporting Forms and Tax Returns		
1. Verify on Audit Report that all forms have been filed annually (if required)	❐	❐
Audit Reports		
1. Audit done semiannually	❐	❐
2. Prepare and present written report with recommendations to executive board	❐	❐
3. Present audit report to association for adoption	❐	❐
4. Forward report to the next level PTA (See Bylaws, Duties of Officers, Auditor)	❐	❐
Audit Recommendations		
All "No" answers should be included in the report as recommendations to change financial procedures. *At the completion of the audit, meet with president and financial officers to discuss recommendations and any corrections as needed. When errors have been corrected by a financial officer and accounts are accurate, draw a double line in red ink where the audit concludes on all records. Sign & date the audited materials.*	❐	❐
Mismanagement – Is mismanagement suspected? (contact district PTA president immediately for assistance).	❐	❐

April 2010